

PULLMAN SCHOOL DISTRICT No. 267
Whitman County, Washington
September 1, 1991 Through August 31, 1992

Schedule Of Findings

1. The District Should Collect Tuition For Out-Of-State Students And Exclude Them From Computations For State Support

While Idaho resident students attended the district's elementary and secondary schools, the district did not collect tuition to cover the cost of educating these pupils. In addition, they were included in the district's monthly claims of students eligible for basic support from the state.

RCW 28A 225.260 states in part:

If the district accepts out-of-state pupils whose resident district is contiguous to a Washington school district, such district shall charge and collect the cost for educating such pupils and shall not include such out-of-state pupils in the computation of the district's share of state and/or county funds.

District management interpreted guidance from the Washington State School Directors' Association related to nonresident students to apply to all interdistrict students. Based on this interpretation, applications for nonresident admission approved by the school board were not evaluated to distinguish between out-of-state transfers and transfers from other Washington school districts. This error resulted in the collection of basic support funds from the state of Washington to which the district was not entitled.

We recommend the district establish and implement procedures to identify out-of-state students, collect tuition for them and exclude them from the computations for state support as required by statute.

2. Associated Student Body Fund Expenditures Should Be Properly Recorded And Limited To Appropriations

Our review of Associated Student Body (ASB) Fund prepaid items recorded on the balance sheet identified \$2,387 which should have been included in current expenditures. If properly recorded, expenditures of the (ASB) Fund would have exceeded the amount appropriated by \$2,383, for fiscal year 1991-92.

RCW 28A 505.150 states in part:

The board of directors shall incur no expenditures for any purpose in excess of the appropriation for each fund

Expenditures recorded as prepaid were not properly reviewed to ensure they were for goods and services which would be consumed or used in the subsequent fiscal year. Incurring expenditures in excess of appropriations invalidates the intent of budgetary controls established by statute.

We recommend the district review purchases and record them as expenditures in the fiscal year in which they are consumed or used, and amend fund budgets when necessary to ensure that expenditures do not exceed appropriations.

3. The District Should Implement And Monitor The Internal Control Structure Over Vouchers And Warrants

The district did not implement and monitor the established system of administrative and accounting controls over vouchers and warrants. We consider the following internal control weaknesses to be material and reportable conditions:

- a. Vouchers were not prepared from a complete voucher packet. Supporting documentation did not always include an authorized purchase order and requisition or invoices supporting vendor statements.
- b. Vouchers were not properly certified and authenticated by fiscal personnel.
- c. A vendor report listing was not printed or reviewed for duplicate vendor payments prior to voucher approval. Vendor reimbursements to the district for repayment of duplicate payments were also noted in our cash receipts testing.
- d. Batch controls were not used to ensure the integrity of the data entered into the accounting system.
- e. The district issued duplicate warrant numbers to replace previously issued warrants and did not maintain a warrant stock number log to track the disposition of all warrants.

The "Common Rule", Subpart C, Section___.20(b)(3) states:

Internal Control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

RCW 42 24.080 states in part:

All claims presented against any municipal corporation shall be audited before payment, and prepared for audit and payment on a form which provides for the authentication and certification by the auditing officer. The form should state that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is a just, due and unpaid obligation against the municipal corporation. No claim shall be paid without such authentication and certification.

Failure to comply with federal and state laws or regulations could:

- a. Jeopardize the district's ability to obtain future federal funding;
- b. Allow errors or irregularities to occur and not be detected in a timely manner; and,
- c. Impair our ability to audit the financial operations of the district.

We recommend the district implement and monitor the established system of administrative and accounting controls over vouchers and warrants to ensure compliance with federal and state requirements.

